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INFO RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEHNE/AMEMBASSY NEW DELHI 9901
RUEHCG/AMCONSUL CHENNAI 6831

UNCLAS COLOMBO 001425

SIPDIS

SENSITIVE
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COMMERCE FOR BRYAN LOPP AND EROL YESIN
EB/CBA FOR TIM GILMAN

E.O. 12958: N/A

TAGS: [EINV](#) [PREL](#) [CE](#)

SUBJECT: GE KERAWALPITIYA POWER DEAL: MINISTRY OF POWER AND
ENERGY WILL CONSIDER USG INTEREST

REF: 08/29/06 RICHELSON-MOORE EMAIL

1. (SBU) Summary and action request: CDA called Minister of Power and Energy Seneviratne on August 29 to express USG support for Lakdhanavi Private Limited's bid to build a 300 megawatt power plant at Kerawalapitiya using General Electric equipment. Seneviratne acknowledged that the Treasury Ministry was leaning toward the Mitsubishi bid following heavy lobbying by the Japanese government. The Minister claimed to be unaware of U.S. (GE) interest in the Lakdhanavi proposal, and said that U.S. interest "would have to be accommodated" due to the "present political situation in the country." Seneviratne offered to meet CDA September 5 to discuss the matter further. Post requests further guidance from the Department of Commerce regarding advocacy in this case, preferably by Friday, September 1. End summary and action request.

2. (SBU) As instructed in ref email, CDA called Minister of Power and Energy Seneviratne on August 29 to express USG support for Lakdhanavi Private Limited's bid to build a 300 megawatt power plant at Kerawalapitiya using General Electric equipment. CDA noted the USG's understanding that the Ceylon Electricity Board had nominated Lakdhanavi to carry out the project. Speaking by mobile phone because he was outside Colombo, the Minister responded that the Government of Sri Lanka (GSL) had evaluated both the Lakdhanavi and the Mitsubishi projects and that the Treasury Ministry was leaning toward the Mitsubishi bid. Asked why, he replied "cost and feasibility," but added that heavy lobbying by the Japanese government had been influential as well. Japan was a major donor to Sri Lanka and the government feared that foreign assistance from Japan could suffer if the contract was not awarded to Mitsubishi. Further, Japan already had a "23 percent share of the electrical market." (Note: It was unclear whether the minister was referring to Japanese equipment or funding.) The Minister claimed to be unaware of U.S. (GE) interest in the Lakdhanavi proposal. He said that U.S. interest "would have to be accommodated" due to the "present political situation in the country."

3. (SBU) In response, CDA stressed that the USG wants selection to be made in a transparent and fair manner. This would ensure that the most cost-effective and flexible means of power generation was selected. Minister Seneviratne said he would discuss the matter with the Treasury Secretary the next day. He said that he did not expect a final decision to be made in the August 30 cabinet meeting. When asked, the Minister confirmed that Sri Lanka was offering a sovereign guarantee to back the commercial financing of the selected project.

¶4. (U) Post notes that Minister Seneviratne was quoted in the Sri Lanka Daily News of August 30, 2006 saying that his ministry had prepared a Five Year National Plan on Power and Energy Development, which called for construction of the Kerawalapitiya plant to begin in September.

¶5. (SBU) Comment and action request: The GSL's consideration of Japan's role as a major donor and of the U.S. role in the "present political situation," makes it unlikely that the government will make a decision on the Kerawalpitiya plant in time to meet its targeted September start date for construction. Post will attempt to learn whether the August 30 Cabinet meeting produced any developments on the matter. Post will await further guidance from Commerce regarding advocacy and is prepared to meet with Minister Seneviratne if that is indicated. Post requests guidance by Friday, September 1, in order to be able to request an appointment on September 5, the first day Minister Seneviratne said he would be available to meet.

MOORE